

MINUTES

MONTANA SENATE 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

Call to Order: By **CHAIRMAN BILL GLASER**, on January 31, 2003 at 3:00 P.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Sen. Bill Glaser, Chairman (R)
Sen. Bob Story Jr., Vice Chairman (R)
Sen. Jerry W. Black (R)
Sen. Edward Butcher (R)
Sen. Mike Cooney (D)
Sen. Jim Elliott (D)
Sen. Royal Johnson (R)
Sen. Jeff Mangan (D)
Sen. Don Ryan (D)
Sen. Tom Zook (R)

Members Excused: None.

Members Absent: None.

Staff Present: Tari Elam, Committee Secretary
Connie Erickson, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 259, 1/27/2003; SB 267,
1/27/2003

Executive Action:

HEARING ON SB 267

Sponsor: SENATOR COREY STAPLETON

Proponents: Dave Puyear, Montana Rural Education Association (MREA)
Lance Melton, Montana School Boards Association (MTSBA), *in absentia*
Bob Vogel, Director Government Relations, Montana School Boards Association (MTSBA), *in absentia*
Dee Brown, Representative, HD 83
Tom Figarelle, Forward Montana
Sara Cobler, Associated Students, University of Montana, Missoula & Dillon

Opponents: Eric Feaver, MEA-MFT

Informational Witnesses: NONE

Opening Statement by Sponsor:

{Tape: 1; Side: A; Approx. Time Counter: 0.5 - 6}

SENATOR COREY STAPLETON, SD 10, Billings, brought forward a bill which creates a teacher signing bonus program. SEN. STAPLETON indicated funding is provided in Representative Roy Brown's HB 363. SEN. STAPLETON stated he would like to see more Montana teaching graduates stay in the state. He believes many graduates are being drawn by signing bonuses offered in places such as Arizona and Nevada, leaving a Montana with a critical shortage of qualified teachers. SEN. STAPLETON stated two hundred of the bonuses are targeted to attract teachers in areas where Montana is experiencing critical shortages: math, science, music, and in rural communities. The remaining three hundred bonuses are attached to a retiring teacher.

SEN. STAPLETON also provided the Committee with a packet of information EXHIBIT (eds21a01).

Proponents' Testimony:

{Tape: 1; Side: A; Approx. Time Counter: 6 - 23.2}

Dave Puyear, MREA, expressed his organization's support of this legislation. He also expressed the support of Lance Melton and

Bob Vogel of **MTSBA**. **Mr. Puyear** indicated he and the representatives of **MTSBA** have been working together on some minor modifications to the bill; those to which **SEN. STAPLETON** referred. **Mr. Puyear** encouraged the Committee keep a proper perspective on the issue before them; i.e., who is testifying and which organization that person represents. He explained **MREA** is an organization which includes in its' membership teachers, administrators, and trustees, together with leaders from each of those groups. He believes **MREA's** perspective is slightly different from some of his colleagues, but thinks all agree Montana is in crisis with regard to its need for teachers. **Mr. Puyear** explained when he graduated from college seventy percent (70%) of graduates stayed in Montana; today, the number is thirty percent (30%). Further, sixty percent (60%) of today's graduates do not even bother turning in the necessary paperwork for becoming certified in the state upon completion of their teaching program. **Mr. Puyear** believes Montana is losing the best and the brightest to other states and is very concerned by this trend. He sees a partial solution in the proposal contained in **SEN. STAPLETON's** bill. Since one of the major concerns for new graduates is debt load--many students believe they cannot afford to stay in Montana--this bonus will allow a teacher to reconsider their options. He also believes passage will send a message to young people to give the state a second chance and not pack their bags quite so quickly.

REPRESENTATIVE DEE BROWN, HD 83, testified she is a graduate of the University of Montana and taught for twenty-six years before coming to the legislature. She stated in the early seventies there were not the problems being faced by today's graduates because the state had a strong resource based job source. She believes there is a direct correlation between educational funding and the base for resource-based jobs in the state. Therefore, she is in support of **SB 267**. **REP. BROWN** also indicated she was a member of the local Columbia Falls education association while she was a teacher, but on occasion disagreed with their opinions on certain issues; for example, tenure and merit based pay. She believes we need to think outside the box. **SEN. STAPLETON's** bill provides a new approach for addressing present concerns.

Tom Figarelle, Forward Montana, stated his organization is in support of **SB 267**. **Mr. Figarelle** explained **Forward Montana** was started by a group of young people who saw a real brain-drain occurring from the state and wanted to do something to put a cork in that drain. Their purpose is to promote economic and educational opportunity in the state. **Mr. Figarelle** believes--since the state's economy is nearly last and the average annual income is nearly dead last--a student graduating from a Montana

school does not see any reason for remaining here. He thinks the bill addresses concerns over student debt by providing an incentive to remain while allowing an opportunity to meet their obligations. He thinks the bill is good for Montana, good for teachers, and the right thing to do. **Mr. Figarelle** also stated his organization is in support of **HB 107**.

Sara Cobler, Associated Students, University of Montana, Missoula and Dillon, stated her organization is in support of this legislation because it sends the message to Montana students that the legislature cares deeply about retaining its' teachers. She sees this as an appropriate policy to accomplish that goal. She believes there is a significant need for this legislation due to the ever increasing costs of education. She outlined various factors contributing to the increase and stated state financial aid is near the bottom of all states.

Opponents' Testimony:

{Tape: 1; Side: A; Approx. Time Counter: 23.5 - 30}

Eric Feaver, MEA-MFT, stated he rises on behalf of all organized K-12 faculty in the state of Montana. With 10,000 teachers and specialists who belong and pay dues to the organization, **Mr. Feaver** indicated he was here to promote the interests of, and be an advocate for, those members. He does not believe signing bonuses will retain teachers but, will instead contribute to a huge morale problem with other recently hired teachers. He urged the Committee to take a more holistic view of the issues.

Beyond personnel concerns, **Mr. Feaver** indicated there are problems with the bill's drafting. He stated the legislature cannot provide money to teachers and designate the money as exempt from contributions to the retirement system. This creates an unfunded liability. Second, the bonuses cannot be given tax free. Neither **Mr. Feaver** nor members of his organization can support that proposition, and this has nothing to do with merit pay or tenure.

Referring to **HB 363**, **Mr. Feaver** indicated there is potentially \$7,000,000 that could be applied to Montana schools in a holistic manner, helping all teachers and maybe all school employees. For example, by providing funding for **HB 107**, the loan reimbursement bill which encourages teachers to take high demand, low supply positions and also services educational debt; or, by creating a new entitlement which recognizes a loss of students does not mean there is no longer a need for the educator; or, by creating an entitlement which recognizes the need for full-time equivalent administrators, specialists, or educators, such as those

contemplated in **HB 193**. **Mr. Feaver** also suggested funding a retirement incentive for teachers, administrators, and specialists who stay in education for thirty years or more, growing their multiple to two percent (2%) and, thereby, their benefit. He believes the losses being sustained in education are occurring at both ends of the spectrum and need addressing accordingly.

Mr. Feaver continued, stating the bill following this bill today (**SB 259**) puts forth a proposition for establishing a state-wide school employee health plan. The House version--the version **Mr. Feaver** supports--will seek a loan package in order to implement the plan. He believes the money from **HB 363** would make an appropriate and significant down payment toward the loan the bill seeks from the state of Montana for necessary start-up costs.

In closing, **Mr. Feaver** reiterated he does not believe this is the bill for addressing teacher shortages. Nor, does he believe this is the time. He believes money could be better spent otherwise.

Questions from Committee Members and Responses:

{Tape: 1; Side: B; Approx. Time Counter: 2.2 - 31}

{Tape: 2; Side: A; Approx. Time Counter: 0.1 - 14}

SENATOR JIM ELLIOTT indicated he did not see any selection process in the bill, asking **SEN. STAPLETON** what would happen in the event there were more than one hundred qualified applicants. **SEN. STAPLETON** responded there are actually 500 available bonuses: one hundred designated for rural, one hundred designated for math, science, and music, and three hundred general. **SEN. ELLIOTT** stated he understood; however, he believes there should be some type of selection criteria. **SEN. STAPLETON** explained during the drafting phase there was some discussion on criteria, however, since they felt they were close to the actual number who would apply, they did not follow thru on the discussion. He stated it is his intention the bonuses be awarded on a first-come, first-serve basis.

SEN. ELLIOTT stated this legislation is purportedly necessary to address the issue of recruitment by enticing Montana graduates to stay here. He asked **Mr. Puyear** why he believes graduates do not want to teach here. **Mr. Puyear** responded he does not believe graduates do not want to teach here. **SEN. ELLIOTT** inquired, why then do they leave? **Mr. Puyear** stated he believes the main reason they leave is their debt load. Graduates have the ability to look outside Montana to other states who offer signing bonuses and higher salaries; they gravitate toward those incentives.

SEN. ELLIOTT offered insight into his own education experience, then expressed his perception of the problem. He believes the problem is endemic with education in Montana. It arises from high costs of university education--costs he believes to be attributable to under funding--and the lowest starting teacher salaries in the nation. This factor, too, can be attributed to inadequate funding. He is concerned this legislation is rather like providing a "band-aid for the plague." Although he thinks the legislation may help, he does not believe it will solve the problem we will be faced with two to three years from now. He asked **Mr. Puyear** if he would agree with that analysis. **Mr. Puyear** responded he does agree with **SEN. ELLIOTT's** analysis, however, he also thinks the bill provides a very good start toward addressing some of the underlying concerns. It will not fix everything, but it is a beginning.

SENATOR EDWARD BUTCHER stated he has concerns regarding the overall cost associated with the bill, but feels as though he could look favorably on the bill if it in some manner addresses student debt directly. He asked **SEN. STAPLETON** if the bonus will be restricted to paying off the teacher's student debt. **SEN. STAPLETON** responded an individual may spend the money however they choose. **SEN. BUTCHER** stated, in his opinion, that is a weakness in the bill. Given his own knowledge of student debt (most much higher than sixteen or seventeen thousand dollars), he thinks at least some of the bonus should be targeted specifically toward repayment of student debt. He asked whether, in the event the Committee did recommend the type of plan suggested, **SEN. STAPLETON** would be favorably disposed to making sure the money is applied to their debt. He continued, explaining that often repayment of debt is an incentive for joining the military. He thinks paying off student debt is more of a favor to the recipient. **SEN. STAPLETON** stated these are not rich kids, and they will not become rich from this bonus. He explained this is a market mechanism for retaining Montana students because at present we are losing the cream of the crop. Nor does he want to penalize a student because they were able to complete their education without incurring debt. **SEN. BUTCHER**, as a point of clarification, stated he does not want to penalize those students either. Simply, he would rather, in the event they do have debt, the bonus be dedicated toward repayment. **SEN. STAPLETON** replied if there is mechanism for achieving that goal he would not be opposed to its inclusion.

SENATOR JEFF MANGAN inquired whether there is any penalty assessed should a teacher leave after a single term, or at some time before the required length of time. **SEN. STAPLETON** replied bonuses would cease at the point of departure. **SEN. MANGAN** inquired whether bonuses follow the teacher. For example, if a

teacher accepted a position in one of the rural communities and after one year transferred to Billings what would happen? **SEN. STAPLETON** responded the bonus would not follow the teacher in that type of instance. **SEN. MANGAN** asked whether that specific provision is contained within the terminology of the bill. **SEN. STAPLETON** replied in the affirmative.

SEN. MANGAN--indicating the question is a follow-up to **SEN. ELLIOTT**'s question of **Mr. Puyear** and his subsequent testimony--asked **SEN. STAPLETON** whether he thinks we have or are currently under funding K-12 or higher education systems. **SEN. STAPLETON** explained this bill did not attempt to address that issue. However, given Montana's investment as fiftieth in the nation, on a relative basis the answer is no, but on a comparative basis the answer would be yes. **SEN. MANGAN** explained as a member of the education committee in the House for two sessions he saw a number of proposals dealing with teachers' salaries, and teacher retention and attraction, which were never addressed because there was every indication that no funding was in existence. He stated there was another such bill this year. He asked **SEN. STAPLETON** whether he was convinced the state is under funding based on his own history. **SEN. STAPLETON** asked **SEN. MANGAN** for clarification on his question.

SEN. MANGAN began his explanation by stating: there is a reason behind this bill. Testimony has been provided today that tuition rates have increased and the K-12 and higher education systems are having a difficult time attracting teachers because they do not have money to pay salaries. In previous sessions representatives have come forward indicating the state could assist them in the process by providing more money to attract and keep teachers. Students have come forward requesting the legislature not raise their fees to fund those needs but, rather, provide funding from the state. **SEN. MANGAN** continued, stating today we are hearing this bill, and based upon today's testimony would you concede that perhaps we have under funded higher education and K-12. **SEN. STAPLETON** stated he did not know what a concession of the sort **SEN. MANGAN** alludes to would mean with regard to this bill. He believes the bill makes a good-faith effort toward addressing some very huge issues. He offered a comparison between a teacher in Billings and a teacher in one of the more rural communities in Montana, stating although it is a difficult reality, markets dictate where people are going.

SEN. MANGAN inquired whether he is correct in understanding that this bill will not apply to Great Falls, Billings, Helena, Missoula, or Bozeman. **SEN. STAPLETON** stated, although a definition for rural was not established by the drafters, this

bill does apply to many of those communities. See, **EXHIBIT(eds21a02)**. **SEN. MANGAN** restated a portion of his question to which **SEN. STAPLETON** responded there are 500 bonuses available, only 100 of which are specifically dedicated to "rural."

SENATOR MIKE COONEY asked **Ms. Cobler** whether, in the states where a number of Montanans are moving, base salaries are substantially different from what is being offered in Montana. **Ms. Cobler** stated, although she could not provide an evidenced answer, from what she knows from hearsay, her perception is wages are generally higher in those states to begin with; plus they provide additional incentives.

SEN. COONEY posed the same question to **REP. BROWN**. **REP. BROWN** stated her own daughter moved to Long Beach, California her first year out of the university. Had she accepted a position in **REP. BROWN**'s district her salary would have been between \$21,000 and \$22,000. Her beginning salary in Long Beach was approximately \$33,000. The district did require she have twenty-five students in her classroom and would move students whenever necessary to maintain that number.

SENATOR TOM ZOOK, referring to testimony which indicated money for the bill will come from Worker's Comp, stated he was not able to locate the relevant language. He asked **SEN. STAPLETON** if in fact the language is contained in the bill. **SEN. STAPLETON** explained the reference to **HB 363** provides the necessary information. **SEN. ZOOK** inquired whether a fiscal note is available. **CHAIRMAN BILL GLASER** responded a fiscal note has been requested but is not yet available.

SEN. STAPLETON indicated the final page of his handout [see, **EXHIBIT(1)**] is a copy of the fiscal note for **HB 363**. He noted of the \$9,000,000 savings, \$2,000,000 will go into the general fund.

SENATOR DON RYAN provided an example of a teacher who is making \$22,000 per year being in the same school as someone hired under this bill who would be making \$27,000, asking **SEN. STAPLETON** what is the incentive for the first teacher to remain. **SEN. STAPLETON** stated he believes people understand the underlying goal of this legislation. If everyone recognizes we are trying to inject some money into the problem, but that we cannot take care of all of the problem, they will understand. He also believes many of the more senior teachers understand the issue and do not need to see their salaries increase. There may be some level of jealousy in second or third year teachers, but he does not think so. **SEN. RYAN** asked whether any thought was given to the possibility of a

mass exodus occurring under this plan; a factor which would in reality exacerbate rather than solve the problem. **SEN. STAPLETON** responded, while he is uncertain about the possibility, he is not certain you would want that type of person around anyway.

SEN. ELLIOTT, speaking to **SEN. STAPLETON**'s hand-out [see, EXHIBIT (2)], stated he does not believe this is an appropriate manner to determine rural because while it may have actual numbers of live persons, it does not include the tax-base associated with those numbers. He would like **SEN. STAPLETON** to consider that issue.

SEN. ELLIOTT then asked **SEN. STAPLETON** to expand on his comment regarding the market determining where teachers locate. **SEN. STAPLETON** explained in his perception a person in their early twenties is looking at many factors when making their decision about where to locate. For example, family, location of other family, income, and etceteras. Market allure, and where a person wants to spend the rest of their life, has a lot to do with that decision. He believes if we can convince people to stay in the first few years, they will begin having families, become established in their communities, and will therefore find it harder to leave. **SEN. ELLIOTT** expanded on his question, noting his question about the market is generally centered on economic factors, asking **SEN. STAPLETON** what he thinks about those factors. **SEN. STAPLETON** responded when you consider we are talking about places like California, Vegas, and Nevada, there is an allure when you are young. He believes the choices are informed choices, and their debt is a factor in any choice, they may decide based on that issue. In that way, the market for who is going to pay the most at this moment is more important.

SEN. ELLIOTT inquired whether the sponsor would agree this is, at least in some respect, a market-based decision. **SEN. STAPLETON** responded in the affirmative. **SEN. ELLIOTT** explained it is his understanding markets are funded by private dollars. The legislation before us is market funded by taxpayer dollars; a proposition he finds to be very interesting. Stating he had never thought of government creating a market for profit in this manner, he asked **SEN. STAPLETON** for his thoughts on the result. **SEN. STAPLETON** stated he agrees with **SEN. ELLIOTT**.

SENATOR BOB STORY, referring to **Mr. Feaver**'s testimony regarding retirement contributions being subtracted from the bonus, inquired why it cannot be structured in a manner so that retirement is not deducted. Further, since a bonus is not a part of regular salary and is not counted toward the retirement benefit he does not see how this is a problem. **Mr. Feaver** responded his understanding of the bill as currently written is that the bonus would count for final average salary purposes.

Conceivably, the person's entitlement could vest in five years. If the \$20,000 is added to the salary average then the benefit liability is calculated accordingly; however, no contribution has been made toward the benefit.

SEN. STORY stated the bill is structured so as to provide a bonus in the first year of signing; he asked if that is correct. **SEN. STAPLETON** replied in the affirmative. **SEN. STORY** then sought clarification on whether a teacher is required to stay in the same district for the entirety. **SEN. STAPLETON** replied language is contained within the bill stipulating it is a one time bonus and that a teacher must stay in the original district. He explained a teacher may take another assignment within the district, but may not leave the district.

SENATOR ROYAL JOHNSON inquired whether **SEN. STAPLETON** had read the fiscal note attached to **HB 363**. **SEN. STAPLETON** responded in the affirmative. **SEN. JOHNSON** asked if he would agree the note indicates payment of approximately \$2,000,000 the first year and not \$7,000,000. **SEN. STAPLETON** responded in the affirmative. **SEN. JOHNSON** then inquired why it is necessary to take \$9,000,000 in 2003. **SEN. STAPLETON** explained the original plan was to take the money made available by **HB 363** and earmark it for this program. It is supposed to be a one-time program with a sunset date in four years. **SEN. JOHNSON** explained available funds will be depleted in three years, therefore, money will not be available to pay some of the bonuses. **SEN. STAPLETON** agreed the bill may need some fine tuning.

Closing by Sponsor:

{Tape: 2; Side: A; Approx. Time Counter: 14 - 15.2}

SEN. STAPLETON expressed his appreciation for the thoughtful discussion. He explained, while educational funding may not be his strongest area of expertise, he does believe this bill will accomplish a lot toward addressing concerns regarding teacher recruitment and retention. And, although education means something different to a kid, a teacher, a union leader, or politician, he believes across the spectrum people can look to this as a good idea. He respectfully requested the Committee pass this legislation to the Senate floor.

HEARING ON SB 259

Sponsor:

SENATOR BILL GLASER

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For those districts presently offering healthcare insurance and operating successfully, any reserves they presently have can be used toward enhancing the basic plan. They do not lose those reserves. To ensure long-term actuarial soundness of the plan, reserves will be established and maintained. The bill also provides for borrowing capability up to \$25,000,000 to cover administrative start-up and for possible catastrophic losses during the initial two year period.

In reference to the bill's effective date of July 1, 2003, **SEN. GLASER** stated it is simply a place-marker. It will be up to the Committee's discretion to determine a truly viable date for implementing the program.

SEN. GLASER alluded to the fact that there is presently a similar bill being considered in the House. He believes the House bill was put together by a good team of people and has some valuable merits. He feels similarly about this bill.

Proponents' Testimony:

{Tape: 2; Side: A; Approx. Time Counter: 28 - 31}

{Tape: 2; Side: B; Approx. Time Counter: 0.1 - 16}

Dave Puyear, MREA, offered his organization's support for this proposal. He also conveyed his testimony is extended on behalf of **Lance Melton** and **Bob Vogel** of **Montana School Board Association** as they were unable to attend this meeting. **Mr. Puyear** indicated there are a number of issues contained in this proposal which need to come forward. **Mr. Puyear** stated his concern is if these issues are not brought forward now they will come forward during a time of great controversy. A time when people across the state are asking why these issues were never addressed.

The first issue is the issue of governance. **Mr. Puyear** stated although they support the bill coming from the House, one concern which has remained at the forefront is that of "governance." How will the process be governed? Will it be fair? Will it appear to be fair? And, will each of the different bodies in Montana be fairly represented in that process? These are some of the questions which have been posed repeatedly. This bill, said **Mr. Puyear**, answers those questions; this bill is fair. Each of the organizations here today will be able to put forward names of people they trust are qualified and able to protect various interests. **HB 302** does not have that protection.

Mr. Puyear stated the second issue to which **SEN. GLASER** referred is that of flexibility. He is somewhat resentful of statements

insinuating this aspect of the plan has appeared from nowhere. His organization has been discussing flexibility since last summer as an important issue for rural schools. They are concerned because there are well over 100 plans in existence in Montana; each of which has its' own unique surrounding culture. Each school offers its own distinct coverage. Trying to fit every school into a single program will be problematic. But, regardless of the how it comes about, **Mr. Puyear** believes we need a plan. He prefers this plan because it has the flexibility necessary to meet the needs of all school districts. It offers a base plan to everyone. A base plan which can then be modified to meet the distinct culture of each district.

He stated his organization is very appreciative to **SEN. GLASER** for bringing forward a plan which addresses two of the biggest concerns for rural districts. **Mr. Puyear** also provided the Committee with information compiled by **Lance Melton** of **MTSBA EXHIBIT (eds21a03)**.

Dan Martin, Chief Operations Officer, Billings Public Schools, stated he also oversees the health insurance fund. **Mr. Martin** indicated **SEN. GLASER** was correct in his assertions regarding discussions which occurred over the past twelve months. As a point of clarification, he did want the Committee to know the health fund in Billings schools was never broke. Premiums were raised forty-eight percent (48%). At the time the increase occurred, if they had paid off the run-out and paid all the expenses that could have been assigned to the insurance fund, they would have had a balance of approximately \$550,000. What occurred, said **Mr. Martin**, was a year with a really bad series of claims. There were no huge claims, in fact they only hit the \$150,000 stop-loss four of five times. In one year, however, there were a lot of \$60,000 to \$80,000 claims, creating a \$3,000,000 loss. He explained the plan had always carried substantial reserves, but an audit report indicated they were "harboring" too much money. Despite knowing the reality of the situation--reality would have dictated an increase in premiums--**Mr. Martin** said the auditor's report said they should be giving a premium holiday. The next year Billings faced a \$3,000,000 loss.

Mr. Martin explained the one constant in health insurance is the price of health care. This is an inflationary constant. He thinks when we discuss the topic of premiums we should also be discussing how to control costs. For example, prescription drugs cost the Billings plan approximately 2.4 million dollars, or twenty-four percent (24%). This type of coverage was never intended by original health insurance.

Mr. Martin indicated he has been a proponent for a state-wide K-12 plan since at least 1993. And, although his insurance committee is as yet undecided about the plan, he would like to see something happen. He suggested the Committee might also consider regional pools if state-wide is too broad. Another idea might be to allow a three year window for districts to join the plan. At the present time, there are several very successful self-funded plans whose members will look at this program and ask why should they join; time may provide them with positive reasons for doing so. **Mr. Martin** also provided the Committee with his ideas on retirees, reserves, and "maintenance of benefits" clauses.

Opponents' Testimony:

{Tape: 2; Side: B; Approx. Time Counter: 16 - 32}

Eric Feaver, MEA-MFT, stated he is not in opposition to the ideas in this bill, but he is opposed to the bill as written. **Mr. Feaver** believes anyone who participated in the Governor's Advisory Council on School Funding, and the interim committee hearings throughout the state, knows one of the major concerns of all school employees is the cost of healthcare. He agrees with **Mr. Martin** that benefit costs were not the single reason for events which occurred in Billings, however, he does think the sixty-percent (60%) increase in insurance costs was a significant factor. He also agrees with **Mr. Puyear** that this is not a new issue, indicating some aspects of this proposal have been around for years. In 1997, the former **MEA** brought a bill to the Senate which sought to create a state-wide employee insurance pool. The bill died because it created a huge unfunded mandate. **Mr. Feaver** believes this bill will see the same result unless it is amended significantly.

Mr. Feaver also believes by creating a mandatory basic plan the bill eliminates the collective bargaining process. He also is not comfortable with the lack of definition for the "basic plan" in the bill and the lack of detail regarding supplemental packages. He stated failure to identify precisely what the basic plan covers makes it impossible to determine what the monthly premiums will be.

Mr. Feaver noted the bill states participation by retirees is an optional decision to be reached by the council. This is untenable under present state law, which stipulates a retiree may continue to participate at their own expense in a school healthcare plan. He explained when that particular question arose in a district on the high-line, to ensure a legitimate interpretation of present law, his organization sought an

advisory opinion from Commissioner of Insurance and Securities, John Morrison. Given the language of that opinion, **Mr. Feaver** believes most people now agree retirees may continue to participate. He stated although they are an expensive group, they are not the only ones and, we should remember retirees have paid into various plans over the length of their career.

Mr. Feaver also finds the appointment process for the governing board to be problematic. He stated none of organizations most familiar with various interests have any input in the selection process. He believes **MEA-MFT**, **MTSBA**, **SAM**, and **MREA** should be able to nominate candidates for the school benefits council.

He noted **SB 259** indicates the plan will need a \$25,000,000 loan which is to be repaid in two years. He does not think this is possible due to the premium rates and surtaxes which would need to be assessed. **Mr. Feaver** also takes issue with the absence of a phase-in period, noting the bill is applicable to all contracts entered into after July 1, 2003.

Mr. Feaver indicated both this bill and the similar bill coming through the House are right on target with regard to addressing a very real problem. He believes the state-wide pool will contribute to a stabilization of the various aspects of insurance coverage. He urged the Committee to compare **SB 259** and **HB 302** and thinks the later is a far more complete work.

Informational Testimony:

{Tape: 3; Side: A; Approx. Time Counter: 0.2 - 1.3}

Darrell Rudd, Executive Director, **SAM**, stated he applauds **SEN. GLASER** and all visionary people who have the courage and initiative to address the crises in Montana schools. Health insurance costs and health care issues are central to those concerns. **Mr. Rudd** urged the Committee members to provide an answer by favorably considering a state-wide health care plan.

Questions from Committee Members and Responses:

{Tape: 3; Side: A; Approx. Time Counter: 1.4 - 19}

SEN. STORY asked **Mr. Feaver** how many members are a part of **MEA-MFT**. **Mr. Feaver** responded almost 16,000: 12,000 in public education; 10,000 teachers and between 1,800 and 1,900 classified employees. **SEN. STORY** inquired why **MEA-MFT** has not pooled their members for insurance purposes. **Mr. Feaver** replied--together with **MTSBA** and **SAM**--**MEA-MFT** has sponsored the **Montana Unified**

Schools Trust (MUST), an organization which sells insurance products to school districts across the state for several years. It is the largest insurer of school employees in the state. **Mr. Feaver** stated the problem with **MUST** is the plan is not mandatory. Adverse selection requires the plan must charge whatever it can get to cover its costs; costs which have been considerable for **MUST**.

SEN. RYAN asked whether **Mr. Martin** thought governance of the plan should be reflective of the number of persons within a particular district. **Mr. Martin** stated he did not think that is necessary. However, he would like to see a specific majority requirement. For example, if the board is comprised of seven members, five in agreement would be necessary to achieve a majority; if a nine member board, then six. He believes this will cause members to work more closely together.

SEN. RYAN asked **Mr. Martin** how costs are allocated between his district and its' employees. **Mr. Martin** indicated he did not have the actual figures with him. The district used to pay single coverage in its entirety, they no longer do so. Catastrophic coverage for a family is approximately \$547.00, with the district paying \$248.00. This is Billings' basic plan which has a \$1,000 deductible and a maximum out-of-pocket of \$20,000. **Mr. Martin** also outlined the most popular plan offered in his district and agreed to send the Committee information regarding the costs of each of their plans.

SEN. JOHNSON asked **Mr. Martin** how many years elapsed between increases in premiums in the Billings district. **Mr. Martin** responded five years. **SEN. JOHNSON** inquired whether the eventual increase was equal to forty-eight percent (48%). **Mr. Martin** replied the original increase was 48%, however, after the census it was necessary to increase by another twelve percent (12%) in order to remain actuarially sound. **SEN. JOHNSON** stated the plan should have had increases of approximately ten percent (10%) per year. **Mr. Martin** responded they could not have assessed increases because auditor reports indicated their reserves were too high.

SEN. BUTCHER inquired whether the addition of mandatory dental was directly correlated with events necessitating increases in premiums. **Mr. Martin** responded in the negative, explaining its addition was not a burden on the plan. **SEN. BUTCHER** asked how much the dental premium is. **Mr. Martin** stated it is now in the low nineties for a family, and \$32.00 or \$34.00 for an individual.

SENATOR JERRY BLACK expressed his opinion regarding the make-up of the seven member council indicating it should have at least some members who are familiar with group health insurance. He asked **Mr. Martin** whether that assertion made sense to his manner of thinking. **Mr. Martin** indicated his own insurance committee works very well together. Whenever they are in need of information or assistance they bring in an expert; whether that be an insurance agent, hospital administrator, actuary, or other informational person. They look to those individuals with the best qualifications to assist them with the particular issue at hand.

SEN. RYAN, referring to **Mr. Feaver's** testimony regarding coverage of retirees, asked **SEN. GLASER** to discuss the issue and how he thinks the design will work. **SEN. GLASER**, noting he is not a micro-manager by nature, explained the bill may not have the amount of detail it should. When the question was posed to him regarding why should retirees be covered, he thought about retired legislators. They are allowed to retain their state insurance. **SEN. GLASER** said this bill is about doing the right thing for everyone, including cooks, bus drivers, and janitors. We need to cover those employees because schools cannot function without them. We need to have a program such as this in order to ensure that our weakest members are protected. This was his intent. In an attempt to be as inclusive as possible, he may have overlooked what appears to be a permissive power of the council.

Closing by Sponsor:

{Tape: 3; Side: A; Approx. Time Counter: 19 - 22}

SEN. GLASER stated one of the most important ingredients of this proposal is its required actuarial soundness. This will ensure board members make good faith decisions based on expert advice, and not on arbitrary factors. The concept is to provide health insurance for teachers and teaching staff. It is one of the most important decisions facing this legislature. **SEN. GLASER** indicated he believes providing health insurance to those people who educate our children, and to those who provide support for those teachers, is fundamentally correct and fair.

ADJOURNMENT

Adjournment: 6:00 P.M.

SEN. BILL GLASER, Chairman

TARI ELAM, Secretary

BG/TE

EXHIBIT (eds21aad)